

Boost Your Retirement Value Proposition by Offering Medicare Planning Advice



Elaine Floyd, CFP®
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Horseshmouth



Health Care in Retirement Survey

Horseshmouth, 2020. 507 respondents.

- Do you conduct formal Medicare planning or have a specific meeting with clients as they approach Medicare eligibility?
 - 40% Yes, 60% No
- Do you have an annual Medicare check-in meeting with clients?
 - 17% Yes, 83% No



Health Care in Retirement Survey

Horseshmouth, 2020. 507 respondents.

- At what age do workers (or their spouses) become eligible?
 - 96% correctly answered “65”
- What is the window of time when a client can sign up for Medicare without penalty?
 - 66% correctly answered “3 months before to 3 months after”
- If your client does not sign up when eligible, what is the Part B penalty?
 - 48% correctly answered “10% for every 12-month period he was not enrolled”



Health Care in Retirement Survey

Horseshmouth, 2020. 507 respondents.

- What does Medicare Part A cover?
 - 90% correctly answered “Hospitalization”
- What does Medicare Part B cover?
 - 87% correctly answered “Doctor visits and services”
- What does Medicare Part D cover?
 - 96% correctly answered, “Drugs”



Health Care in Retirement Survey

Horseshmouth, 2020. 507 respondents.

- If a client is still working, does he need to enroll in Medicare?
 - **44%** correctly answered, “Not if the company has more than 20 employees”
- Why is it a problem that you will be enrolled in Medicare automatically if you are collecting Social Security benefits of any kind?
 - **60%** correctly answered, “You can no longer contribute to an HSA”



Health Care in Retirement Survey

Horseshmouth, 2020. 507 respondents.

- What are the private Medicare plans?
 - 61% correctly answered, “Both Medigap and Medicare Advantage”
- Why would you want to sign up for a Medigap plan as soon as you are able?
 - 66% correctly answered, “Later on it will require underwriting”



Health Care in Retirement Survey

Horseshmouth, 2020. 507 respondents.

- If a client has \$50 above one of the IRMAA brackets, what happens?
 - 60% correctly answered “He pays an extra \$60-\$200 each month in premiums
 - 35% incorrectly answered “He pays an extra \$5-\$50 each month in premiums



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If you're not conducting Medicare planning with your clients, they're probably making costly mistakes and you're missing valuable opportunities to guide them toward smarter decisions.



Clients suffer:

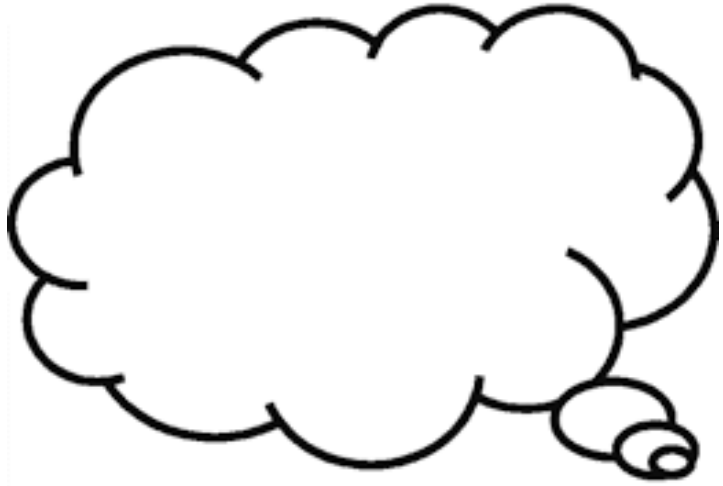
- No guidance on when they can, should, or must enroll in Medicare
- Confusing array of choices, little help from employer or government
- Poor decisions trigger unplanned expenses that deplete savings
- Frustrated with system; disappointed with advisor



Advisors suffer:

- Many advisors avoid Medicare planning – Yet clients need and expect Medicare advice
- “No Medicare advice” undercuts claim to “retirement planning” expertise
- Unplanned health care expenses drain accounts and erode advisor credibility





“I certainly don’t want clients making mistakes about Medicare, but isn’t this a job for the insurance industry?”

Key #1:

Medicare planning is a critical holistic retirement topic that everyone needs before age 65 BUT it's hard for people to find knowledgeable, unbiased advice.



Pre-retirees are uninformed:

- 79% incorrectly think Medicare Part B is free after paying Social Security taxes for 10 years
- 86% incorrectly think Medicare covers long-term care
- 67% wish they understood Medicare better

(Nationwide 2019 Consumer Health Care Survey)



No one is explaining how Medicare works

- HR departments are not helping retirees transition to Medicare
- The government is not proactive about explaining Medicare
- Insurance companies are bombarding clients with confusing Medicare sales pitches



There's no one-size-fits-all solution

- Is client working past 65?
- Does he have an HSA? Does the employer contribute?
- How will IRMAA affect Medicare premiums?
- Etc.





“But don’t people just transition from their workplace health care over to Medicare? What’s to plan? How could I add value?”



Key #2:

Smart Medicare planning protects clients from poor coverage decisions and unnecessary lifetime penalties, surcharges, and higher premiums—advice that translates into savings and peace of mind.



Mistakes to avoid

- Coverage gaps
- Late enrollment penalties
- Higher out-of-pocket expenses



Coverage gaps

- Coverage gap: A period of no insurance due to one plan ending (e.g., employer insurance) and a delay in the start of Medicare
- Can happen by surprise
- During a coverage gap client is responsible for all medical bills



Late enrollment penalties

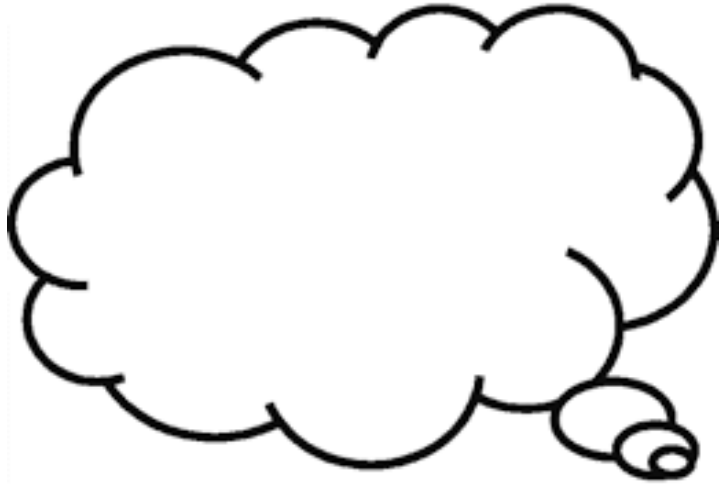
- Part B late enrollment penalty applies if:
 - Client is not covered by an employer-sponsored group plan and does not sign up during his **initial** enrollment period
 - Client is covered by a group plan when he turns 65 but fails to sign up during his **special** enrollment period
 - Penalty is 10% of the Part B premium (including IRMAA) for every 12-month period you went without Medicare and continues for life
- Part D late enrollment penalty applies if go without creditable drug coverage for more than 63 days



Health care financial planning

- Minimize premiums including IRMAA
- Understand how out-of-pocket costs will affect cash flow
- Determine how much they'll need for health care in retirement – including long-term care
- Coordinate Medicare with everything else: employment, HSAs, taxes, inflation, RMDs, and Social Security





“Okay, I see the value of Medicare planning. But I’m put off by its complexity.”

Key #3:
Gaining working knowledge of Medicare planning is no more complicated than other investment and financial planning topics.



Medicare Pre-Planning

Caveats



Caveat #1

Your doctor may not accept Medicare

- Most doctors do accept Medicare, especially for existing patients who go onto Medicare
- But if client chooses to get Medicare through a Medicare Advantage plan, the doctor may not be in the network
- The bottom line: transition to a different health care system (Medicare) could mean a change in providers



Caveat #2

Medicare and HSAs

- No contributions to HSA after enrollment in Medicare
- Once Social Security starts, Medicare enrollment (Part A) is automatic and HSA contributions must stop
- If not receiving Social Security can defer Medicare to keep HSA
 - Compare HSA/HDHP to Medicare (benefits and costs)



Caveat #3

High-income clients pay more for Medicare

- If still working Medicare may cost more due to the income-related monthly adjustment amount (IRMAA)
- Once retired, can appeal the IRMAA—remember to help clients do this!



Caveat #4

Medicare and COBRA

- No COBRA after age 65!
- Do not let clients take COBRA and defer Medicare
 - They will miss their special enrollment period and may face coverage gaps and penalties
 - COBRA too expensive anyway



Caveat #5

Medicare and retiree plans

- Retiree plans pay secondary to Medicare...but only if you are enrolled in Medicare!
- If you have a retiree plan, are over 65 and not enrolled in Medicare, the plan won't pay
- Clients who retire before age 65 and go onto retiree plans should contact their insurance company three months before turning 65 to find out how their retiree plan will work with Medicare.
- At this time they should enroll in Parts A and B, effective the 1st of the month they turn 65
- Ask the plan if they should enroll in Part D



Caveat #6

Medigap guaranteed issue

- **If you do not buy a Medigap policy within 6 months of enrolling in Part B, may be denied a policy based on health status and may NEVER be able to get one**
- Can always get a Medicare Advantage plan, but Medigap tends to be more stable (benefits stay the same from year to year)
- **Warning to clients who stay on employer plan after enrolling in Part B or who start out with Medicare Advantage: If go more than six months may not be able to get Medigap (except for 1st year trial)**



What else you'll need to learn

- Who needs to enroll in Medicare—and when
- What Medicare covers—and doesn't cover
- Why supplemental insurance is essential
- How to help clients transition to Medicare
- How to estimate health care expenses in retirement





“So if I add this as a service offering, what can I expect in ROI and benefits to my firm?”



**Key #4:
Medicare planning boosts your value proposition and delivers tangible benefits and ROI that can both grow your business and enhance your retirement planning expertise.**



Medicare planning

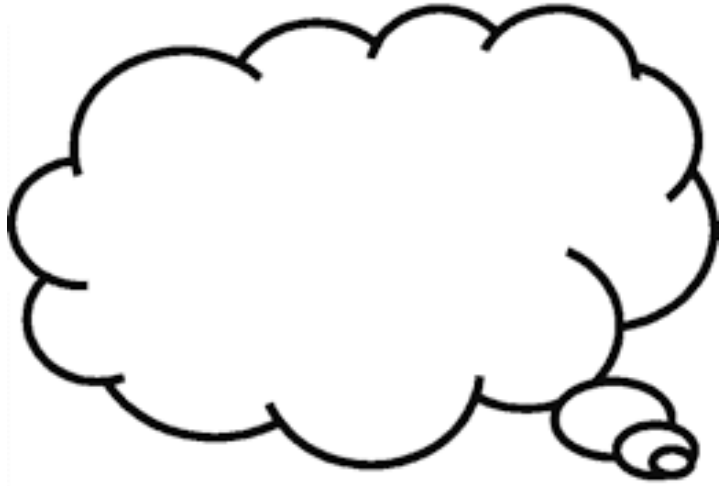
- Boosts referrals among existing clients
- Appeals to boomers looking for a retirement advisor
- Can be a new, profitable business line for your firm
- Keeps you in front of clients for annual Medicare reviews
- Develops ties to strategic allies
- Completes your offering of comprehensive retirement planning services



To sum up:

- Medicare planning:
 - Solves a nagging problem for valuable retiree clients
 - Protects clients from making costly mistakes
 - Delivers benefits to your practice





“What’s the most efficient way to start adding Medicare planning to my practice?”



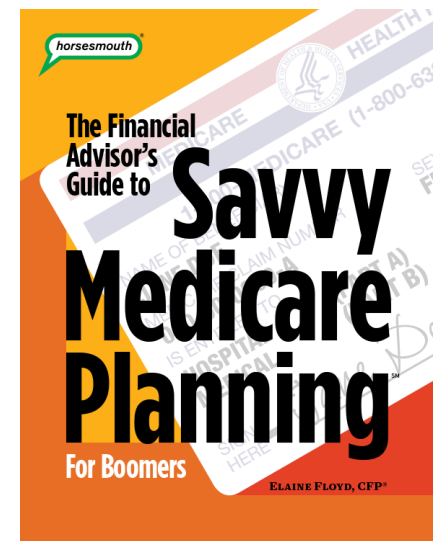
Savvy Medicare Planning[®]

FOR BOOMERS



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6 CE credits

From the Savvy Medicare Planning newsletter - March 3, 2014

Creditable drug coverage

Transitioning to Medicare requires decisions about Part A, Part B, and Part D. For a client who is retiring at 65 and who has no employer or retiree coverage, the decisions are easy. Enroll in all three parts and shop for supplemental coverage, either a Medicare Advantage plan or a Medigap policy. The drug coverage will be provided either through the MA plan or through a standalone prescription drug plan that has been carefully selected based on local plan offerings matched with the needs of the client.

For clients who are still working (or covered by a spouse who is still working) or who have retiree coverage, it's a little more complicated. As we've discussed in the Savvy Medicare Study Guide and in these newsletters, Part B enrollment is required at age 65 unless the client is covered by an employer group plan that covers 20 or more employees and the coverage is based on active employment (of self or spouse).

To decline Part B, the Medicare Rights Center says to do this:

1. Call the Social Security Administration at (800) 772-1233 and ask if you can decline Part B without any penalties.



Educate

- 4 client presentations
 - Managing Health Care Expenses in Retirement
 - 30 Minutes on Medicare Basics
 - Transitioning to Medicare
 - Savvy Medicare For COIs
- Associated marketing materials
 - Custom posters and postcards
 - Press releases and scripts
 - Best practices and timelines



Keep in touch

- Health Care Quick Reference Card
- Medicare Planning Flowchart
- The Baby Boomer's Guide to Savvy Medicare Planning
- 9+ Article Reprints
- All branded with your photo, logo, and contact information

Health Care Quick Reference Guide
MEDICARE FOR INDIVIDUALS 65+

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Medicare Enrollment Period

Age	Initial Enrollment Period	First Day of Coverage	First Monthly Premium	Part B Monthly Premium	Part D Monthly Premium	First & Second Monthly Premium
65	7 months	1st day of 1st month	\$134	\$148	\$3.50	\$182
66	7 months	1st day of 1st month	\$134	\$148	\$3.50	\$182
67	7 months	1st day of 1st month	\$134	\$148	\$3.50	\$182
68	7 months	1st day of 1st month	\$134	\$148	\$3.50	\$182
69	7 months	1st day of 1st month	\$134	\$148	\$3.50	\$182
70	7 months	1st day of 1st month	\$134	\$148	\$3.50	\$182

Medicare Enrollment Period

Part A: 3 months before, 3 months after, and the 3rd month after your 65th birthday.
Part B: 7 months before, 3 months after, and the 3rd month after your 65th birthday.
Part D: 6 months before, 3 months after, and the 3rd month after your 65th birthday.



How to Keep Health Care Costs Under Control in Retirement

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If you've been covered by a generous employer health plan, you may be in for a rude awakening when you retire. There are some tricks for keeping health care costs under control after you retire.

Although the government may subsidize some of your health care costs under the Medicare program, you will still be responsible for certain out-of-pocket costs. You will need to do something to pay for the rest of your health care costs. You may want to consider a Medicare Advantage plan, a Medicare Supplement plan, or a combination of the two. You may also want to consider a Medicare Savings Plan, a Medicaid waiver, or a combination of the two. You may also want to consider a Medicare Savings Plan, a Medicaid waiver, or a combination of the two.

Avoiding late enrollment penalties

If you have a Medicare Advantage plan, you may want to consider a Medicare Supplement plan, a Medicare Savings Plan, a Medicaid waiver, or a combination of the two. You may also want to consider a Medicare Savings Plan, a Medicaid waiver, or a combination of the two.

They compete for private insurance

Medicare Advantage plans are designed to provide a more comprehensive benefit than traditional Medicare. They often include prescription drug coverage, vision care, and dental care. They may also include other benefits such as transportation, meal delivery, and home care services. Medicare Advantage plans are subject to annual review and may be discontinued or modified at any time.



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